DIRECTOR'S REPORT

SEPTEMBER-OCTOBER 1984

CALIFORNIA
POSTSECONDARY
EDUCATION
COMMISSION

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The State's 1984-85 Budget and Public Postsecondary Education

State Legislation

Potential Fiscal Impact on California Postsecondary Education of the November Ballot Propositions

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
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THE STATE'S 1984-85 BUDGET AND PUBLIC POSTSECONDARY EDUCATION

The 1984-85 Budget Act (Chapter 258, Statutes of 1984), was signed into law by Governor Deukmejian on June 27, 1984, nearly a month earlier than last year's budget, and before the constitutional deadline for only the second time in 15 years. The $31.2 billion budget is 18 percent higher than last year's budget and includes a 12.4 percent increase in General Fund Expenditures

DEVELOPMENT OF THE 1984-85 BUDGET

Unlike 1983-84, the Governor's second budget was developed in the context of increased State revenues and a precariously balanced budget for the current year. As noted in the January-February 1984 Director's Report, three overriding policies guided the development of the 1984-85 Budget: (1) cap the growth cycle in government expenditures; (2) avoid tax increases; and (3) establish relative stability in State budgeting. Within these general policies the Governor proposed a budget with two major objectives: (1) the creation of a $950 million reserve for economic contingencies, and (2) increased overall expenditures for all levels of education.

Legislative and Executive Office Differences on the Budget

Although the 1984-85 Governor's Budget did not propose wholesale cuts in programs and services comparable to the 1983-84 Budget, and in fact proposed modest increases in many programs and services, many legislators viewed the renewed fiscal vitality of the State as an opportunity to repair some of the damage of the post-Proposition 13 years, particularly in human services. Many legislators were also unwilling to accept some of the Governor's proposals for reducing the growth of the State budget. As a result, the Legislature added nearly $900 million in General Fund Expenditures and a total of $1.2 billion to the Governor's budget proposal, as shown in the second column of Table 1 on page 2.

The most significant differences between the Legislature and the Governor were over funding for the schools, support for Community Colleges, financing of health and welfare programs, and comparable worth and pay equity adjustments for State employees. Cost-of-living adjustments (COLAs) for these items were also a matter for debate between the two branches Brief descriptions of the differences appear below:

Public Schools: The Governor vetoed over $365 million from K-12 education, including $187 million in apportionment support to be funded from special legislation allocating the proceeds of the supplemental property tax roll. The Governor also eliminated $108 million of a $118-million legislative

TABLE 1 Summary of Actions Taken on the 1984-85 Budget, in Millions

Expenditures	Governor's Budget as Revised In May	Budget as Approved by Legislature	Vetoes and Other Actions by the Governor	Final 1984-85 Budget Act
General Fund	$24,857	$25,747	$-676	$25,071
Special Funds	4,820	4,789	- 55	4,734
Selected Bond Funds	767	1,103	- 6	1,097
TOTAL	$30,444	$31,639	$ -737	$30,902

Source: Legislative Analyst, Summary of Legislative Action on the 1984-85 Budget Bill, July 1984.

augmentation for special education, although he reserved $39 million to fund separate, related legislation. The Legislature provided $29 million more to fund statutory and discretionary COLAs for K-12 education than the Governor finally allowed. He reduced the statutory COLAs in most areas from 6.0 or 6.1 percent to 5.9 percent. Much of the remainder of the differences between the legislative and gubernatorial K-12 funding levels revolved around a conflict over whether or not to expand the educational reforms initiated in SB 813 (1983) before the effects were visible.

Community Colleges: The Legislature proposed to fully fund the Community Colleges as called for under current statute. The Governor reduced $39.3 million from the legislatively approved support for apportionments, which would have funded 1984-85 inflation and enrollment growth. He also eliminated $6.2 million from EOPS and handicapped support services intended to fund two years of inflation increases and serve students currently unserved but eligible for the programs. Finally, the Governor vetoed $10 million in support for matriculation, saying he would consider the funding as part of separate authorizing legislation. (More information about Community Colleges appears below).

Health and Welfare: The Governor's cuts to the funding proposed by the Legislature for health and welfare programs totaled over $210 million Health-related cuts included over $21 million in Medi-Cal reductions, $43 million in reductions for medically indigent services, and a $19 million reduction in public health local assistance funding. Nearly three-fourths of the $91 million in welfare cuts were in social services and support payments for children.

Comparable Worth: The Legislature augmented the employee compensation item by $63 million to pay for equity adjustments for employees in female dominated job classifications in which job qualifications and duties are comparable to those for job categories with higher pay scales. The Governor vetoed this augmentation, saying that adjustments of this type should be funded from the overall employee compensation fund through the collective bargaining process.

Cost-of-Living Adjustments: Gubernatorial vetoes of cost-of-living adjustments are included in the vetoes of education, and health and welfare programs. While most, if not all, statutory COLAs (except those for the schools and the Community Colleges) were funded, the Governor limited almost all other COLAs to 3 percent. This is consistent with two themes that have guided the Administration's budget policies: reducing the growth of government, and offering California governmental services at levels close to the average of what is provided in other states rather than at above-average levels Although this year's legislative debate on the COLA issue focused more on restoring purchasing power after several years of no or limited adjustments, future budget cycles may see more discussion of the fundamental assumptions about the role and level of government in California.

Expenditure Issues Since July

When Governor Deukmejian signed the final Budget Act, he set aside $383 million from his vetoes to be appropriated through separate legislation for local government, the University of California, special education, and other programs. The Budget Act also included $90 million to fund legislative initiatives. (The fate of fiscal legislation separate from the Budget Act is discussed on pages 19 -35 below.)

In order to make later discussion of the postsecondary education budgets for 1984-85 meaningful, it is useful to review briefly the recent history of the State's budget as a whole

End of the Fiscal Crisis

For the first year since Proposition 13, the State's expenditures will be less than its income in the budget year. Because of surpluses, fund shifts borrowing, and expenditure cuts, the State managed to survive the reduced revenues caused by Proposition 13, aggravated by the recession that began in 1981, and finally bottomed out in January of 1983. These were extraordinarily difficult years fiscally for the State, and as Table 2 and Figure 1 of page 4 show, General Fund purchasing power, as measured in 1975 dollars, actually declined for three consecutive years.

The subsequent economic recovery, along with the elimination of the deficit has increased available revenue to the State and allowed real resources for State-funded programs to increase -- by 5 5 percent -- for the first time since 1980-81 Despite this, the State will be providing far less support in real dollars for programs and services than it spent in any year between 1979 and 1983.

TABLE 2 Trends in General Fund Expenditures 1975-76 Through 1984-85 (in Millions of Dollars)

	Current Dollars[a]		1975 Dollars[b]	
	Amount	% Change	Amount	% Change
1975-76	$ 9,517	--	$ 9,517	--
1976-77	10,488	10.2%	9,840	3.4
1977-78	11,708	11.6	10,226	3 9
1978-79	16,272	39.0	13,120	28 3
1979-80	18,568	14.1	13,647	4.0
1980-81	21,066	13.5	14,134	3.6
1981-82	21,695	3.0	13,503	-4.5
1982-83	21,755	.3	12,695	-6.0
1983-84 (est.)[c]	22,605	3.9	12,442	-2.0
1984-85 (enacted)[d]	25,324	12.0	13,123	5 5

a. Source: State Controller.

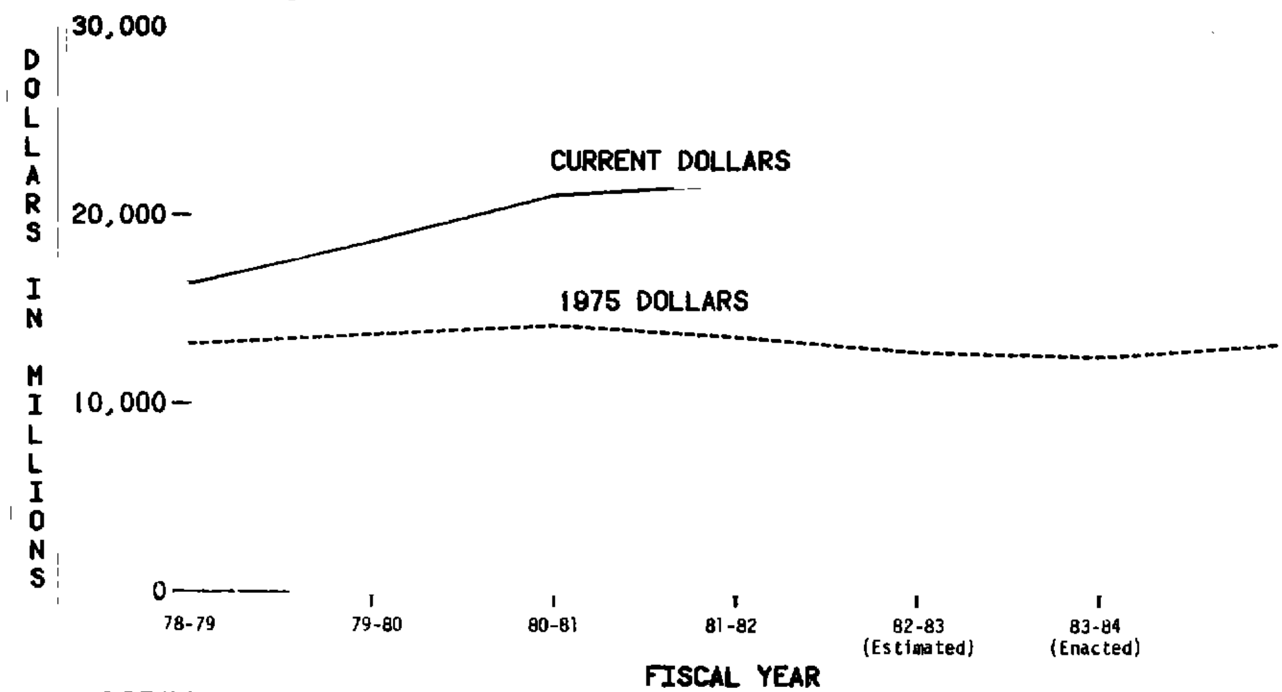
b. "1975 Dollars" equals current dollars deflated by the change in the Gross National Product implicit price deflator for State and local purchases of goods and services in 1975-76.

c. Source: 1984 May Revision and 1984 Budget Act.

d. Reflects the enactment of the local government financing bills, AB 1849 and SB 749.

Source: Legislative Analyst Report 84-7, July 1984.

FIGURE 1 Trends in General Fund Expenditures Since Proposition 13



Source: Table 1.

Perhaps more important than the improved revenue and expenditure figures is that the 1984-85 General Fund Expenditures of $25.4 million which exceed the $22.6 expended in 1983-84 by 12 4 percent, are in addition to the $950 million reserve for economic contingencies. In fact, the Commission on State Finance (COSF) estimates that the total reserve at the end of 1984-85 may be as much as $1.3 billion because of slightly higher revenue projections in June. These differences between the Department of Finance and COSF may appear significant in the context of recent budgets, which have had little margin for error in them at all but in fact there is enough volatility in revenue and expenditure projections because of various factors to change either of these estimates. These factors include.

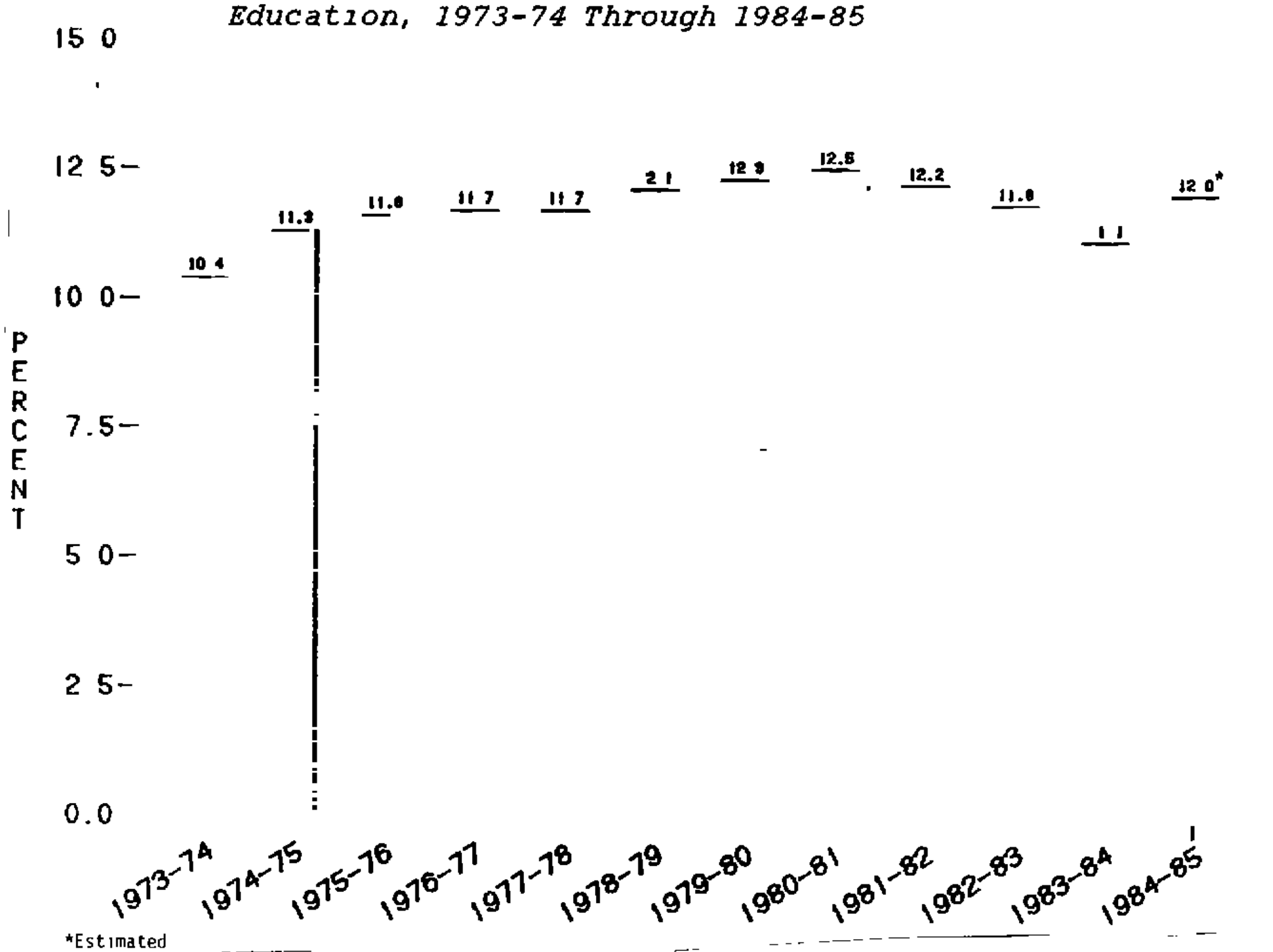
- unanticipated economic developments;
- changes in rates of expenditure under entitlement programs such as Aid to Families with Dependent Children and Medi-Cal;
- the enactment of new legislation;
- administrative actions taken by the legislative branch;
- decisions handed down by the courts, and
- actions taken by Congress and the President on the 1985 federal budget.

Final figures from the Controller will resolve any differences about prior-year resources, and revenue estimates will continue to be adjusted throughout the year. The key point is that unless some combination of Propositions 36, 37, and 41 are adopted by the voters on November 6, there appears to be greater "margin for error" in State programming than there has been in the recent past, and that unexpected expenditure increases or revenue decreases can probably be accommodated without having to reduce service levels. This is especially important for postsecondary education, which for two consecutive years (1981-82 and 1982-83) suffered a disproportionate share of mid-year budget cuts imposed to help balance the State's budget.

EXPENDITURES FOR POSTSECONDARY EDUCATION IN 1984-85

The 1984-85 Budget Act represents at least a one-year reversal of the three-year trend of providing a smaller share of State General Fund and Property Tax Revenues to postsecondary education. As Figure 2 shows, postsecondary education returned to its more traditional share (12.0%) of General Fund expenditures plus Property Taxes in 1984-85.

FIGURE 2 Percent of State General Fund Expenditures and Local Property Taxes Devoted to California Public Higher Education, 1973-74 Through 1984-85



Two facts are especially important in this connection:

- First, as it did last year, postsecondary education absorbed a larger share (between 20 and 21 percent) of gubernatorial vetoes than it represents in expenditures (12 percent). This is largely because of (1) a veto of $65 million included for the University of California Retirement System (later restored by legislation); (2) the elimination of almost $56 million from the legislative level of support for Community Colleges; and (3) elimination of $19 million in comparable worth funding vetoed by the the Governor.

- Second, while postsecondary education as a whole fared well in the 1984-85 budget in terms of increasing its share of public funds, the different segments had different experiences. Each segment improved its budget significantly over 1983-84, as will be evident below, but over 50 percent of the $144.8 million increase in the budget of the Community Colleges comes from an anticipated $75 million in student fee revenues, not from public funds. Although this may appear inequitable, it does so only in 1984-85 because increased funds from student fees at the University and State University for the past three years offset what otherwise would have been substantial budget reductions for the four-year segments.

The following sections summarize how each of the segments and agencies of postsecondary education fare in their 1984-85 support for current operations and capital outlay compared to 1983-84. Tables and descriptive highlights of legislative and gubernatorial actions are not intended to be a list of every separate action taken with respect to postsecondary education in the 1984-85 budget process. Rather, they are included for purposes of comparison with past policy, illustration of budget priorities, and where applicable, comparisons among segments.

University of California

In addition to the $1,453,638 million proposed by the Governor for the University of California, the Legislature made adjustments that netted less than $500,000. The four major actions the Legislature took on the University's budget were.

- a shift of the $11-million augmentation to reduce student fees to a separate line item for student aid support; the Governor's proposal was to use these funds to buy out student support for affirmative action and EOP financial aid; the Legislature instead is using these funds to buy out student funded financial aid;
- the addition of $10.8 million to fund comparable worth-related salary adjustments;
- the elimination of $79.1 million provided for the support of the University of California Retirement System (UCRS), while providing for $64.8 million of the amount to be funded under a contingency appropriation, and
- the addition of almost $5 million for miscellaneous legislative initiatives, including the Asian studies program at the Davis campus, increased janitorial support, Center for Global Peace, and Lawrence Hall teacher education and curriculum development.

The Governor eliminated the comparable worth augmentation and the miscellaneous augmentations. He also vetoed the language calling for the contingent appropriation of $64.8 million to repay funds deferred from UCRS in 1983-84 but promised to sign separate legislation appropriating that amount. That legislation, AB 507 (Waters), was adopted by the Legislature and signed by the Governor, and actually restored $77.1 million to the UCRS, including $12.3 million in new benefits as well as funds deferred last year. The University's resulting budget includes the following:

- $115 million to fund employee compensation increases, including a total increase of 13 percent for faculty. This action will put average faculty salaries in 1984-85 slightly ahead of those projected for comparable institutions nationally.
- $70 reduction in annual student fees -- from $1,387 in 1983-84 to $1,317 in 1984-85.

- $10.5 million for deferred maintenance.

- $21 million in increased funding for instructional improvements, including $12 million for instructional equipment, $4 million for instructional computing, $2 million for the microelectronics research program, and $500,000 for faculty research.

Table 3 compares the 1984-85 budget for the University of California with 1983-84 funding. When the $77.1 million for UCRS is added in, budget year support for current operations totals $1.45 billion, an increase of 29 1 percent

The University's capital outlay budget more than doubled in 1984-85 over 1983-84 levels. This was almost entirely because of a four-fold increase in support from the Capital Outlay Fund for Public Higher Education (see Table 4 on page 9). In addition, for the second year in a row, substantial support for the University's capital outlay projects will come from the High Technology Education Revenue Fund.

TABLE 3 University of California: Support for Current Operations 1983-84 and 1984-85

	1983-84	1984-85
State General Funds	$1,110,012,000	$1,258,228,000
Augmentation for Employee Compensation	Not Applicable	115,470,000
Capital Outlay Funds for Public Higher Education (COFPHE)	12,729,000	-0-[a]
Energy and Resources Fund (ERF)	635,000	-0-
Other Funds	1,216,000	1,040,000
AB (UCRS funding)	Not Applicable	77,100,000
TOTAL	$1,124,592,000	$1,451,838,000 (+29.1%)

a. Support for Current Operations formerly provided by COFPHE and ERF funds is now being funded through General Funds. Thus the State General Fund totals for 1984-85 reflect an increase of $13.4 million for functions previously supported by COFPHE and ERF funds.

Source. California Postsecondary Education Commission, from 1984-85 Final Change Act and 1984-85 Governor's Budget Book.

TABLE 4 University of California: State Support for Capital Outlay, 1983-84 and 1984-85

	1983-84	1984-85
Capital Outlay Fund for Public Higher Education	$ 7,147,000	$ 50,513,000
High Technology Education Revenue Bond Fund	42,397,000	59,655,000
TOTAL, State Supported Capital Outlay	$49,544,000	$110,168,000

Source: California Postsecondary Education Commission from 1983-84 Budget and 1984-85 Final Change Book.

There was no substantive disagreement between the Governor and the Legislature on the level of capital outlay funding for the University. The major controversy was about whether, and under what circumstances, the addition to the Life Sciences Building on the Berkeley campus should be built Despite the opposition of animal-rights advocates, who opposed any construction funds because of the alleged inability of the University to make progress towards assuring the protection of animals used in science programs, the Legislature approved the project with a number of conditions

The California State University

Final 1984-85 appropriations for the California State University are actually $1.7 million less than originally proposed by the Governor and almost $20 million less than proposed by the Legislature in the version of the Budget Act that it sent to the Governor. Nonetheless, as Table 5 on page 10 shows, the State University will receive $1.15 billion in support for current operations for 1984-85 -- a 20.6 percent increase over the 1983-84 funding level of $954.8 million.

Major legislative actions on the State University's budget are summarized below.

- augmentation of $3.2 million to cover an estimated shortfall in nonresident tuition revenues projected in the Governor's Budget;
- reduction of $628,000 proposed by the Governor to support a new component of the faculty development program to provide training in computer-based education;
- reduction of $716,000 included in the Governor's Budget to fund financial aid administration -- reflecting an ongoing disagreement between the State University and the Legislature over whether a shortfall in

TABLE 5 California State University: Support for Current Operations, 1983-84 and 1984-85

	1983-84	1984-85
State General Funds	$948,000,000	$1,050,562,000
Augmentation for Employee Compensation	Not Applicable	101,861,000
Capital Outlay Funds for Public Higher Education (COFPHE)	6,820,000	-0-[a]
TOTAL	$954,820,000	$1,152,423,000b (+20.7%)

a. Support for Current Operations formerly provided by COFPHE funds is now being funded through General Funds. Thus the State General Fund totals for 1984-85 reflect an increase of $6 8 million for functions previously supported by COFPHE funds

b. The 1984-85 total does not include Federal Trust Fund revenues (primarily financial aid funds to students) that have recently been included in some final budget summaries.

Source: California Postsecondary Education Commission, from 1984-85 Final Change Book and 1984-85 Governor's Budget.

federal support for financial aid administration several years ago would be paid for by the State or the system. a disagreement resolved by this year's action giving the State University responsibility for funding the shortfall;

- augmentation of $1 million to fund the Academic Partnership Program -- part of the package of new initiatives related to elementary and secondary school reforms.

- reduction of $1 1 million included in the Governor's Budget for financial aid to offset the 1983-84 State University fee, since this amount will not be needed because of the 1984-85 fee reduction of $42 per full-time student;

- addition of $8.6 million to fund pay adjustments for employees in job classifications whose compensation is less than that for classifications with comparable job descriptions and qualifications; and

- augmentation of $11.3 million to provide additional compensation increases for faculty in "hard-to-hire" fields -- largely engineering, business, computer science, and other high-technology fields.

The Governor sustained these legislative actions except for the latter two compensation augmentations. He eliminated the entire $8.6 million for comparable worth, and left in the budget only $1.9 million of the $11.3 million augmentation for "hard-to-hire" faculty in the budget

The final 1984-85 budget for the California State University includes support for the following:

- $101.9 million to fund employee compensation increases, including a total average increase of 10 percent for faculty, which will put average faculty salaries in 1984-85 slightly ahead of those projected for comparable institutions nationally,

- a $42 reduction in each student's annual fees -- from $702 in 1983-84 to $650 in 1984-85 -- which reduced fees within the ranges called for in AB 1251 (Moore, 1983);

- $10.7 million for deferred maintenance -- including a $7 million augmentation to begin reduction of a $40 million backlog of deferred maintenance; and

- $19 million to support instructional improvements, including $9 million for instructional equipment and nearly $5 million for instructional computing.

The 1984-85 capital outlay budget for the State University totals $25.3 million, nearly four times what it received in 1983-84 (Table 6). This appropriation includes support for major new facilities or renovation at San Diego, San Luis Obispo, San Francisco, and Fullerton campuses. The vast majority of the difference in capital outlay support between the State University and the University can be accounted for by the University's use of High Technology Revenue Bond funds for about half of its 1984-85 projects. The State University has not yet proposed projects for funding from that source.

TABLE 6 California State University: State Support for Capital Outlay, 1983-84 and 1984-85

	1983-84	1984-85
Capital Outlay Fund for Public Higher Education	$6,820,000	$25,264,000

Source: California Postsecondary Education Commission, from 1983-84 Final Change Book and 1984-85 Budget Act.

California Community Colleges

The $1.6 billion in State, property tax, and student fee support for the Community Colleges in 1984-85 represents an overall increase of 11 percent over 1983-84 funding levels (Table 7). Apportionment support of district operations will increase 10 percent, while support for the Chancellor's Office and Board of Governors will increase by a third and categorical program support will be up 15 percent, although half of the increase in this support for categorical programs is accounted for by a shift of support for deferred maintenance from the COFPHE fund to State General Funds.

TABLE 7 California Community Colleges: Support for Current Operations, 1983-84 and 1984-85

	1983-84	1984-85
Local Assistance - Apportionments	$1,016,153,000	
State General Fund	399,691,000	$1,035,689,000
Property Tax	4,791,000	454,200,000
School Fund	5,100,000	5,100,000
Student Fees	-0-	75,000,000
Subtotal, Apportionments	$1,417,625,000	$1,569,989,000
Local Assistance - Categorical Programs		
Extended Opportunity Programs and Services	$ 24,691,663	$ 26,713,000
Handicapped Students Programs and Services	21,878,000	23,634,000
Deferred Maintenance	4,000,000	8,000,000
Other	828,000	853,000
Subtotal, Categorical Programs	$ 51,397,663	$ 59,200,000
State Operations - Chancellor's Office and Board of Governors	$ 3,864,000	$ 5,149,000
TOTAL, State Funds, Property Tax Revenues, and Student Fees for Support of Current Operations	$1,472,886,663	$1,634,338,000 (+11%)

Source: California Postsecondary Education Commission, from 1984-85 Final Change Book and data from the Office of the Legislative Analyst, the Department of Finance, and the Community Colleges Chancellor's Office

While overall funding for the Community Colleges has increased for the first time since 1981-82, most of the increased revenues are from sources other than the State General Fund. In fact, of the $154 million increase in support for local and State operations of the Community Colleges in 1984-85, nearly 49 percent will come from student fees, 33 percent from local property tax revenues, and only 19 percent from the General Fund.

Community College funding continued to be an issue of substantial gubernatorial-legislative conflict. Although the differences over the 1984-85 budget were not as overtly bitter and acrimonious as in 1983-84, they were substantive and will likely continue through the next legislative session beginning in December.

Early in the 1984-85 budget cycle, the Legislature and the Governor reached an agreement on a Community College fee bill which, among other things, adjusted 1983-84 apportionment funding for the Colleges, changed the funding proposal for 1984-85 contained in the Governor's Budget, and modified SB 851, the long-term financing plan for the Colleges. (These changes were discussed in detail on pages 22-23 of the January-February 1984 Director's Report, and need not be repeated here.) The comparisons in Table 7 do include the mid-year augmentation of $96.5 million for 1983-84 included in the fee-funding compromise.

Significant legislative actions on the Community Colleges' budget included·

- adding $110.7 million to fully support apportionment funding as called for in statute;

- shifting to apportionment support $10 million originally provided in the Governor's Budget for financial aid to offset the new fee (AB IXX, the fee legislation adopted in January 1984, appropriated $15 million for student aid related to the fee);

- augmenting the budget by $10 million to fund AB 2638 (Campbell) that would establish "matriculation" -- a comprehensive program of advisement, assessment, counseling, and follow-up for Community College students,

- providing $4.1 million to fund cost-of-living adjustments for 1983-84 and 1984-85 for the EOPS and handicapped student services categorical programs; and

- adding $4.3 million to expand the EOPS and handicapped student services to eligible students not currently receiving them.

The Governor did not sustain most of these actions All but $2.2 million of the augmentations for the EOPS and handicapped student program were eliminated; no funding for "matriculation" was provided (see discussion on page 26); and the augmentation for apportionments was reduced by $39 3 million.

The final budget includes the following features:

- $3.7 million (8 percent) additional funding for EOPS and services for students with disabilities;

- $77 million above the Governor's Budget original proposal for General Fund apportionment support, which will allow funding of 1983-84 inflation, equalization, and growth provisions of SB 851 as modified by AB 1XX, as well as equalization and 4 percent of the 6 percent inflation called for in SB 851 for 1984-85 (this is $20.5 million more than the Colleges actually received in 1983-84 as a result of the AB 1XX agreements in January 1984), and

- $8 million -- an increase of 100 percent -- for deferred maintenance needs.

Table 8 illustrates capital outlay support for the Community Colleges for 1984-85, which increased three and one-half times overall from the 1983-84 level. The $28 7 million from State and local district matching funds includes funding for construction of Mendocino College and major projects at West Los Angeles campus, Oxnard College, and at the new Orange Canyon campus in Orange County's Rancho Santiago District.

TABLE 8 California Community Colleges: State Support for Capital Outlay, 1983-84 and 1984-85

	1983-84	1984-85
Capital Outlay Fund for Public Higher Education	$7,449,000	$24,727,000
All Other State Funds for Capital Outlay	34,000	270,000
District Funds	804,000	3,689,844
TOTAL, State and District Matching Funds for Capital Outlay	$8,287,000	$28,686,844

Source: California Postsecondary Education Commission from 1983-84 and 1984-85 Budget Acts and 1984-85 Supplemental Language.

California Student Aid Commission

The $188 million budget for the Student Aid Commission during 1984-85 represents a 14.5 percent increase over 1983-84 funding levels. Overall State General Fund support will increase 11.6 percent, while funding from all sources for grants to students will increase 13 percent (Table 8). The Legislature made no funding adjustments to the Governor's support level for the Student Aid Commission.

TABLE 9 California Student Aid Commission: Support for Current Operations, 1983-84 and 1984-85

	1983-84	1984-85
EXPENDITURES FOR CURRENT OPERATIONS		
State Operations	$ 9,537,000	$ 11,746,000
Local Assistance: Grants to Students	85,820,000	96,940,000
Purchase of Defaulted Student Loans	68,791,000	79,421,000
TOTAL, Expenditures for Current Operations	$164,148,000	$188,107,000
FUNDING SOURCES		
State General Funds	$ 81,077,000	$ 90,561,000
State Guaranteed Loan Reserve Fund	5,300,000	8,636,000
Federal Trust Fund	77,771,000	88,910,000
TOTAL	$164,148,000	$188,107,000 (+14.5%)

Source: California Postsecondary Education Commission, from 1984-85 Final Change Book and 1984-85 Governor's Budget.

Highlights of the 1984-85 budget for the Student Aid Commission include:

- $3 million to increase the number of new awards in the five major grant programs, the first such increases since 1975-76;

- $7 8 million to increase the maximum award levels in each of the Commission's five major grant programs -- the first increases in award levels since 1981-82;

- Approximately $11 million in additional non-State funds to purchase defaulted student loans -- nearly $9 million of which will come from federal funds, while the additional $2 million is funded from student insurance premiums; and

- $145,000 to fund two additional projects under the California Student Opportunity and Access Program.

In addition, the Legislature adopted Supplemental Language and separate legislation in several areas that indicate an awareness of the importance of both the grant and loan programs and recent developments in the function and management of the programs. These budget and legislative language items are summarized below, while other legislation relating to the Student Aid Commission's programs is discussed on pages 28-30.

- Transferred $100,000 to the Office of the Legislative Analyst to contract for a management study of the Student Aid Commission.

- Adopted Supplemental Language directing the Postsecondary Education Commission to undertake a comprehensive review of the characteristics of Cal Grant program applicants and recipients.

- Adopted SR 34 calling for the Postsecondary Education Commission to examine issues relating to student borrowing, including program default rates and the role of borrowing in student's financing of their educations

Other Institutions and Agencies of Postsecondary Education

Support for the California Maritime Academy, Hastings College of the Law, and the California Postsecondary Education Commission in 1984-85 reflects the overall commitment to higher education illustrated in the funding increases for the three segments and the Student Aid Commission. Increases ranged from 16 percent for the Commission to 28 and 34 percent for the Maritime Academy and Hastings College, respectively.

Although there were few differences between the Legislature and Governor on these budgets, it is worth noting that the Legislature took action on the budget of the Hastings College which conforms to that of the University with respect to retirement systems, shifting student aid funds, and comparable worth -- and the Governor also acted consistently, reserving funding for the retirement system pending special legislation, and eliminating comparable worth funding. He also eliminated $55,000 added to the Maritime Academy budget for student affirmative action and outreach services.

TABLE 10 Summary of State General Funds for Current Operations of Other Agencies and Institutions of Postsecondary Education, 1983-84 and 1984-85

Agency or Institution	1983-84	1984-85
Hastings College of the Law	$ 6,836,000	$ 9,138,000
California Maritime Academy	3,809,000	4,874,000
California Postsecondary Education Commission	2,466,000	2,869,000
TOTAL	$13,111,000	$16,881,000

Source: California Postsecondary Education Commission, from 1984-85 Budget Act and 1984-85 Governor's Budget.

CONCLUSION

The 1984-85 higher education budget deliberations were generally harmonious, and controversies were neither numerous nor intense. Protracted debate occurred only over funding for the Life Sciences Building at the Berkeley campus of the University and over California's growing default rate on loans made under the federal Guaranteed Student Loan (GSL) program, which was spurred by reports of default rates as high as 40 percent at some private vocational and technical schools, 14 percent at Community Colleges, and 12 percent at the State University. These issues, however, were not overly partisan and did not pit Democrats against Republicans or the administration against the Legislature, thus avoiding the previous unfortunate conflicts over higher education. In fact, relations among the principal parties involved in higher education budget deliberations -- the segments, the administration, and the Legislature -- were remarkably cordial, given the torrent of accusatory rhetoric that flowed during the 1983-84 budget session.

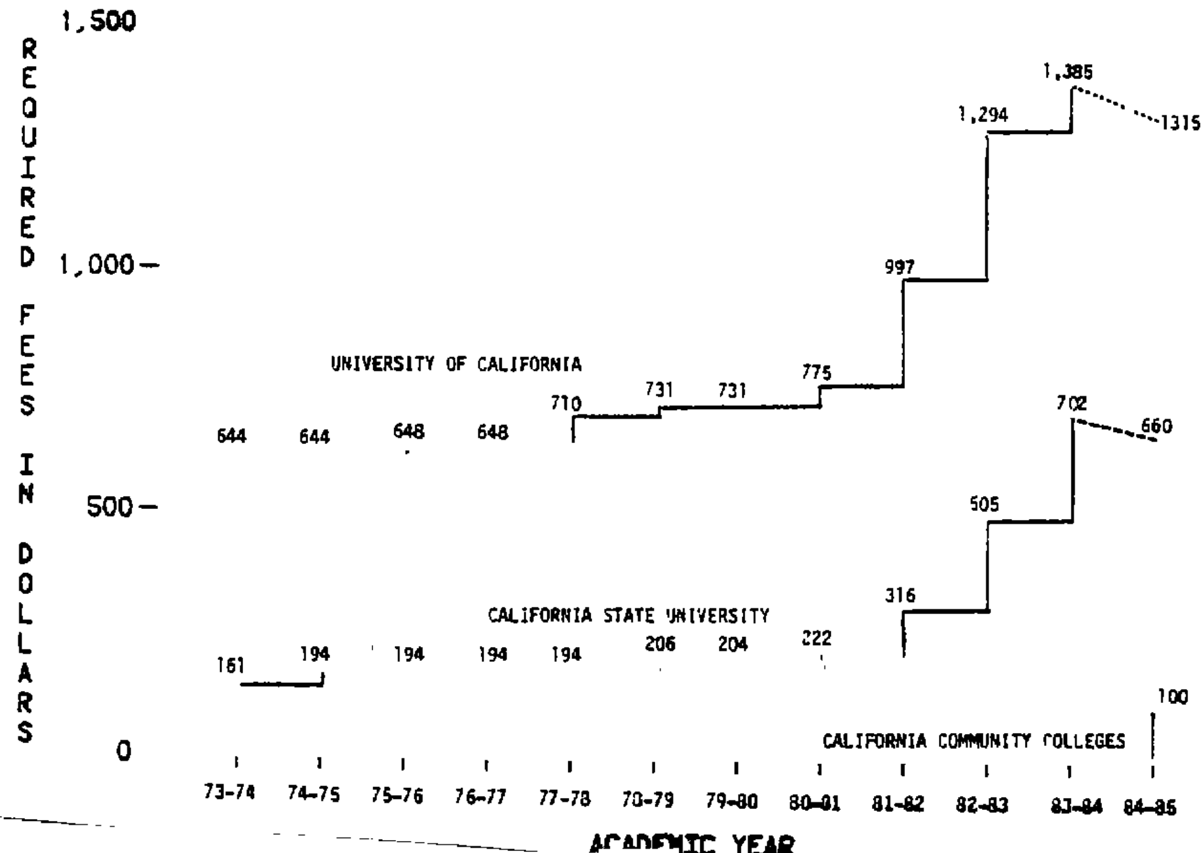
- Governor Deukmejian indicated in January 1984 that long-term plans would be forthcoming to deal with such critical areas as facilities maintenance, equipment replacement, and student financial aid. Even now, the nature of and long-term commitment for these plans remains vague. There is also no long-range policy for setting and adjusting student fees that applies to all segments so that students and their families can plan their educational future with some predictability. As Figure 3 indicates, the steep rise in student fees in recent years has made such planning difficult.

- Future planning efforts must also address the problems created by a major shift in student interest from liberal arts to high-technology and other prospective high-employment fields. State-of-the-art equipment can do little good without qualified faculty, and the need to meet enrollment demand in these hard-to-hire disciplines will require redirection of efforts and possible reallocation of resources by all segments of higher education. (In the meantime, the depletion of students and resources in many humanities and social science programs is a growing cause of concern.)

- Reassessment and reform of the Community Colleges was a consistent theme during the 1984-85 budget deliberations, with numerous appeals to re-examine the mission and goals of the State's largest postsecondary education sector There seems little doubt that such a reexamination is essential if the State is to rebuild a consensus regarding the appropriate role, financing, and governance of the California Community Colleges.

Whether the current-year budget will mark the beginning of an era of greater support and higher priority in State funding for higher education is impossible to predict. Whatever the long term holds, this budget provides welcome short-term relief from fiscal crisis that undoubtedly damaged the institutions and limited opportunity for some students.

FIGURE 3 Resident Undergraduate Required Fees at the California Community Colleges, the California State University, and the University of California, 1973-74 Through 1984-85, in Actual Dollars



Source: California Postsecondary Education Commission

STATE LEGISLATION

MASTER PLAN AND RELATED LEGISLATION

The following three bills -- SB 1570 (Nielsen), SB 2064 (Stiern) and ACR 162 (Hughes) -- were triple-joined so that none of them could take effect unless all three received positive action from the Governor. Together they comprise the total effort now directed to reexamination of the 1960 Master Plan for Higher Education in California.

SB 1570 (Nielsen) creates a 16-member Commission for the Review of the Master Plan for Higher Education and calls for a two-stage process with an interim and final report to a joint legislative committee outlined in ACR 162. The members of the Commission will be "citizens knowledgeable in the area of postsecondary education, business, and community leaders representative of the cultural, ethnic, and geographic diversity of the state" chosen by the segmental boards, the Postsecondary Education Commission, the Assembly and Senate, and the Governor. The Superintendent of Public Instruction will represent himself. The Governor may choose any one of the 16 appointees as the chairman.

Responsibilities of the Commission include development of a management plan describing its operations schedule, due to the Legislature March 1, 1985; a review of "basic and lower division instruction at the various postsecondary institutions" as outlined in SB 2064 (Stiern), due December 1, 1985; and a final report with "findings and recommendations regarding the master plan and the functions and interrelationships of public postsecondary education institutions," due by January 1, 1987. This legislation becomes inoperative on June 30, 1987, and is repealed as of January 1, 1988. The Commission receives a total appropriation of $500,000, the amount originally included in the legislation.

At a minimum, the Commission is directed to report on.

- California's postsecondary educational needs through the year 2000,
- basic and lower-division instruction at various postsecondary institutions;
- increasing access and retention for students, particularly those underrepresented in postsecondary education;
- appropriateness of existing educational delivery systems and their ability to serve present and future student populations; and
- direct and indirect expenditures for students, including financial assistance and instructional support.

Status: Chapter 1507, Session Laws of 1984.

SB 2064 (Stiern) provides for a Community College Reassessment Study and makes it the intent of the Legislature that the Commission for the Review of the Master Plan "set the reassessment of the mission of the Community Colleges as its first and highest priority." The study, to be submitted to the joint legislative committee outlined in ACR 162 by December 31, 1985, shall include at least the following:

- Comparison of the statutory directives regarding programs and activities required to be offered by the Community Colleges and those actually offered;
- An assessment of the appropriateness and priority given to (1) transfer, vocational, certificate and associate degree programs, (2) general education, remedial/basic skills, noncredit and fee-supported community services courses, and (3) student services including, but not limited to, counseling, testing, job placement, and financial aid;
- An assessment of the current socioeconomic composition of Community College students; and
- Policy recommendations designed to ensure that academic quality will be maintained and enhanced.

Status: Chapter 1506, Statutes of 1984.

ACR 162 (Hughes) requires the Legislature to appoint a Joint Committee for Review of the Master Plan for Higher Education and report its recommendations to the Legislature by March 1, 1987. The Committee will consist of 14 members, chosen on a bipartisan basis and divided evenly between each house. It is to conduct hearings on both the interim and final reports of the Commission on the Review of the Master Plan.

Status: Takes effect because SB 1570 (Nielsen) and SB 2064 (Stiern) were signed by the Governor. Chapter 175, Session Laws of 1984.

AB 4052 (Bradley) introduced in May 1984, essentially mirrored that introduced by Senator Nielsen. It included provision for reassessing the "missions and interrelationships of the California Community Colleges, the California State University, and the University of California." It also included a joint bipartisan legislative committee to receive recommendations and initiate legislation.

Status. Introduced, not heard in Committee.

SCA 46 (Alquist) would grant constitutional autonomy to the California State University, giving it full powers of organization and government while retaining to the Legislature the power to define its mission relative to the other segments of postsecondary education. The measure was heard and amended in the Senate Education Committee and failed passage on a 7-6 vote in the Senate Finance Committee after its third hearing.

Status: Failed passage, Senate Finance Committee.

LEGISLATION MANDATING SPECIFIC COMMISSION STUDIES

SB 1758 (Torres) requires the Commission to submit a report by March 1 of each year summarizing the data required of testing companies and submitted to the Commission under previous testing legislation (SB 2005-Dunlap). The report is to include the following: (1) number of students taking standardized tests, (2) performance of test takers, (3) gender and ethnicity of test takers, (4) predictive validity of test scores, and (5) revenues received annually by test sponsors.

Disagreement between the author and the testing companies, primarily the Educational Testing Service (ETS), over the use of "preponderance of evidence" in rejecting students' test results led to a veto last year. This session, however, a compromise was reached; the legal term "substantial evidence" was substituted; and the bill was signed. This standard makes it possible for a test sponsor to invalidate a student's test results without having to mount a full-scale investigation of the circumstances surrounding any particular incident. The legislation was intended to prevent testing companies from arbitrarily cancelling or invalidating test results.

Status: Chapter 1505, Statutes of 1984.

ACR 83 (Chacon) requests that the segmental governing boards, the independent colleges and universities, the State Board of Education, and the Superintendent of Public Instruction cooperatively adopt a plan and "make recommendations for specific actions that will strengthen the college preparation of low-income and underrepresented ethnic minority students in junior and senior high school so that eligibility for, and enrollment in, postsecondary education institutions will more adequately reflect the number of these students."

The report of the Task Force, chaired by the Director of the Postsecondary Education Commission, is to include specific recommendations to achieve the following:

- emphasize shared responsibility for cooperative coordinated efforts by secondary, postsecondary, and graduate institutions;
- identify priorities for action and their required resources;
- involve institutional efforts to coordinate school and campus resources to meet educational needs of all students;
- coordinate these strategies with efforts to implement the "Statement on Competencies in English and Mathematics Expected of Entering Freshmen" prepared by the three statewide faculty senates; and

- propose a mechanism to evaluate annually the progress by each of the segments in realizing these goals.

The Task Force report is due to the Legislature July 1, 1985.

Status· Resolutions Chapter 68, Statutes of 1984.

SR 34 (Greene, Leroy) requests the Postsecondary Education Commission to conduct a study of the "long-term impact of student loans upon the individual student and his or her family, upon access to a postsecondary education for minority, women, and low- and middle-income students, upon students' career and education choices, and upon a student's ability to successfully pursue a postsecondary education."

The study is to include a review of each of the following points:

- characteristics of California students and institutions served by federal loan programs, students who default and institutions with high default rates;

- level and apparent causes of defaults;

- responsibilities outlined in federal statute for determining and maintaining institutional eligibility, determining student eligibility, and determining ways to prevent and recover defaulted loans;

- current and historic role of loans and other elements of student aid in financing undergraduate and graduate education in California;

- the separate elements of loan costs including interest subsidies; and

- aggregate debt burdens for students of various income levels in different segments.

In addition, the study is to review the Student Aid Commission's procedures for issuing guaranteed student loans and ensuring their repayment and then make recommendations for changes in State and federal policy and practice relevant to the following:

- the appropriate relationship between student loans and the self-help component of the financial aid package, and other types of financial aid support,

- the appropriate distribution of student loans among the segments of California postsecondary education;

- the licensing and review procedures for schools which rely heavily on guaranteed student loans and which have high student loan default rates;

The report is due to the Legislature March 15, 1985, and is supported by a specific appropriation to the Commission of $44,000.

Status: Adopted by the Senate and submitted to the Secretary of State.

ACR 71 (Hughes) requests the governing boards of the public postsecondary segments to:

- review their policies and programs concerning the nature and extent of courses examining the cultural and historical experiences of those non-white ethnic groups which have been excluded from the core curriculum;
- consider adopting policies and programs to ensure that all graduates with associate of arts and baccalaureate degrees possess an understanding and awareness of non-white ethnic groups; and
- file a report with the Postsecondary Education Commission by January 1, 1985 on actions taken in response to this request.

The Commission will review and comment to the Legislature by April 1, 1985.

Status: Resolutions Chapter 67, Statutes of 1984.

SR 37 (Greene, Leroy) requests that the Postsecondary Education Commission conduct a study, in conjunction with the University and State University, to identify the existing ratio of full and part-time engineering faculty. The study will include:

- a report on the minimum full-time staffing requirements as a function of the enrollment in the schools of engineering at each of the four-year campuses with a program;
- a comparison of the existing ratios to the standards which are accepted by the relevant accrediting bodies;
- an assessment of the budget requirements needed to fund the derived number of faculty appropriate for the University and State University schools of engineering; and
- recommendations for the appropriate budget levels based on current faculty salary information.

The study is due to the Legislature by December 13, 1984.

Status: Adopted by the Senate and submitted to the Secretary of State

AB 3247 (Hayden) would have changed the Postsecondary Education Commission's statute to allow the Governor to appoint one student, for a two-year term, from specified statewide student groups The bill initially would have added two students but was amended in the Senate Education Committee to only one student.

Status: Failed passage in Senate Floor.

AB 3064 (Vasconcellos) would have required the Commission to study the feasibility of operating the California Exchange for Peace program, providing an opportunity for college-age students from the United States and the Soviet Union to live, study, and work in the host country. It would have allowed participants to experience the cultural, economic, and educational aspects of life in the host country, hopefully establishing closer relations between the two nations and breaking down cultural barriers. The study was to have included review of:

- existing exchange programs offered by State, federal, or international organizations;
- the possibility of identifying a liaison agency in the USSR,
- resource needs including the cost of program administration and cost to student participants; and
- criteria for selecting participants.

Status: Vetoed.

AB 3191 (Tucker) would have provided for the development of a comprehensive data base describing licensed practitioners in medicine, dentistry, pharmacy, optometry, and registered and vocational nursing. Orginally, the Postsecondary Education Commission: was named to collect the relevant data from the appropriate licensing boards and publish it annually in a format useable to state health manpower and education planners.

Authorization was granted to the respective licensing boards to charge an additional $1 in the license fee to support the effort A direct appropriation of $414,146 to initially enter and format the data was also provided.

In the latest version of the legislation, the Department of Consumer Affairs replaced the Commission as the operating agency. However, because the Department of Consumer Affairs, as part of its new electronic data processing effort for all the licensing boards under its jurisdiction, has agreed to take responsibility for the initial programming data for several of the groups of practitioners listed in the legislation, the bill was dropped in the Senate Health and Welfare Committee.

Status. Senate Health and Welfare Committee

AB 3987 (Killea) directed the Postsecondary Education Commission to establish a Task Force on Engineering Education with representatives from the postsecondary segments and the engineering community to examine engineering curricula with the purpose of providing the Commission with assistance in creating engineering program review criteria. These review standards would have related to tenure, laboratory requirements, student-faculty ratios, space allocation, and other budgetary considerations, and would have been used to evaluate existing and proposed engineering programs in the public four-year institutions.

Status: Dropped by the author.

STUDENT PREPARATION, MATRICULATION, AND TRANSFER

AB 2398 (Hughes), revises the California Academic Partnership Program created by the Hughes-Hart Educational Reform Act of 1983 (SB 813). Under the provisions of SB 813, the purposes of the program were to provide academic and counseling services to pupils enrolled in grades 7 to 12 and to involve postsecondary institutions in efforts to improve the academic quality of public schools. As revised through the passage of AB 2398, the purposes of the program are now to (1) develop cooperative secondary-postsecondary efforts to improve the academic quality of public secondary schools so that all students are better prepared for college, and (2) expand the utilization by secondary schools of the mathematics and writing diagnostic tests cooperatively developed by the University of California and the State University. Priority in funding for these projects will be given to schools with low college-going rates or with large concentrations of ethnic minority students.

The California Academic Partnership Program is to be administered by the Trustees of the California State University, in cooperation with the Regents of the University of California, the Board of Governors of the California Community Colleges, and the Superintendent of Public Instruction. A $1 million appropriation was provided for this program in the 1984-85 Budget Act

The Postsecondary Education Commission was directed to submit a progress report on the program to the Legislature on or before January 1, 1986, and a final evaluation report on or before January 1, 1988. In addition to evaluating the program, the Commission may identify projects which are ineffective or not cost-effective for termination of funding.

Status: Chapter 620, Statutes of 1984.

AB 3775 (Chacon), directs the Board of Governors of the California Community Colleges to establish, by January 1, 1986, specific objectives for the Extended Opportunity Programs and Services (EOPS), with these objectives to include recruitment, retention, increasing transfers to four-year institutions, and increasing the numbers of students completing their educational objectives, whether vocational, technical, or associate of arts degrees The Board is also directed to establish by January 1, 1986, minimum basic program components for EOPS, which all campuses with an EOPS project are expected to maintain

The bill also calls for the development of a statewide data base for future evaluations of the program. These data shall include the annual number of EOPS and non-EOPS students who complete degree, certificate, or transfer programs, as well as the annual number who transfer to institutions that award the baccalaureate degree or complete occupational programs and find career employment. The Chancellor's Office is permitted to use up to 1 percent of the total EOPS funding to monitor program activities and evaluate the program

The Postsecondary Education Commission is directed to chair a task force with representatives from the public segments, the Department of Finance, and the Legislative Analyst's Office to develop a plan to provide supplemental services and financial aid to EOPS students who transfer to public four-year institutions. This task force report is due by February 15, 1985.

Status: Chapter 1178, Statutes of 1984.

AB 3950 (Molina) requested the Regents of the University of California and required the Trustees of the California State University to establish articulation agreements with Community Colleges to identify courses which are comparable and transferable between the segments. This bill stated Legislative intent for the establishment of transfer centers at 22 Community Colleges with the largest enrollments and lowest transfer rates of ethnic minority students, and required that all incoming freshmen at these institutions meet with counselors. The bill also created in statute an Articulation Coordinating Council to (1) monitor institutional compliance with the articulation agreements, (2) develop a system to identify comparable and transferable courses, (3) review appeals from students who have difficulties in transferring, and (4) report annually to the Legislature about its operations. Finally, the bill appropriated $25,000 to the State University for the development, testing, and implementation of a method for easily determining transferable courses.

In his veto message, Governor Deukmejian said this legislation was premature pending the review of the Master Plan for Higher Education

Status: Vetoed.

AB 2638 (Campbell) was the Community College Matriculation Act of 1984. Current law contains no provisions relating to student matriculation at Community Colleges. This bill, which was consolidated with SB 1703 (Seymour) in conference committee in August, required the Chancellor of the Community Colleges to fully implement specified matriculation services in at least 12 Community Colleges in the 1984-85 fiscal year and to develop a plan to phase-in participation by all Community Colleges over a three-year period. The Chancellor was directed to report prior to April 1, 1988 on the effectiveness of the matriculation programs and prior to April 1, 1987, on the comparative utility of the matriculation process for students with various types of educational objectives. The bill included a $10,050,000 appropriation

In his veto message, Governor Deukmejian said this legislation was premature pending the review of the Master Plan for Higher Education.

Status. Vetoed.

AB 1403 (Chacon) would have appropriated $1,000,000 annually for three years to establish the California Transfer Program to improve the transfer rate of Community College students to four-year postsecondary institutions. The program would establish transfer centers on Community College, State University and University campuses, and provide supplemental student financial aid in the form of pre-transfer stipends and transfer grants to eligible Community College students. The California Postsecondary Education Commission was directed to evaluate the program prior to January 1, 1988.

Status: Failed passage in Senate Finance Committee.

AB 3985 (Hughes) directed the Mathematics, Engineering, and Science Achievement program (MESA) to implement pilot projects at the junior high school level to increase public awareness of and preparation for career options in engineering and other scientific fields. MESA was expected to provide equal dollar matching funds from the private sector during the five-year pilot stage of this new program, with $175,000 in State funding appropriated for 1984-85. The Postsecondary Education Commission was directed to evaluate these pilot projects prior to September 1, 1988.

In his veto message on AB 3985, Governor Deukmejian said this legislation is premature pending a report to the Legislature by the State Department of Education "examining the possibility of consolidating the MESA Program with the University and College Opportunity and California Academic Partnership Programs "

MESA has received a three-year grant of $600,000 from the Carnegie Foundation to implement MESA projects at the junior high school level beginning in Fall 1984, so the effect of the veto of AB 3985 is to limit the scope of this new program to three sites in California Commission staff has been invited by MESA staff to work with them in the development of an evaluation component for this project.

Status: Vetoed.

STATE OVERSIGHT OF NON-PUBLIC, DEGREE GRANTING INSTITUTIONS

SB 2151 (Watson) places in statute over 100 academic quality compliance standards and the implementation process developed by the Special Committee on Authorization Standards for Private Postsecondary Institutions in response to SB 162 (Sieroty) and SB 272 (Montoya) which were supported by the Commission. The standards in this legislation constitute the minimum quality review by the State for the approximately 175 authorized institutions that can currently offer a complete range of academic degrees based on the commitment of $50,000 in liquid or fixed assets and the submission of a disclosure statement to the Private Postsecondary Education Division of the State Department of Education. The Commission's Director, or a representative, is directed as part of the legislation to participate as one of three visiting-team members for each institutional site evaluation. The Commission will also participate in developing the regulations necessary to implement the law.

Status: Chapter 1727, Statutes of 1984.

SB 1923 (Carpenter) requires that, before a non-accredited degree-granting institution may refer to itself as an "approved institution," all the institution's academic programs must be reviewed favorably through the Private Postsecondary Education Division's approval process. This process uses accreditation standards as criteria in making a qualitative assessment of individual degree programs. Those institutions now operating as authorized institutions under Education Code Section 94310(c) and offering one or more, but not all, approved programs under Education Code 94310(b) would be required within two years to either drop their non-approved programs, obtain approval status for all programs offered, or refrain from advertising as an approved institution under California law. The Assembly Education Committee, in fact, reaffirmed through a specific amendment that no institution may advertise itself as having State-approved status until all of its degree programs have been reviewed and approved by the State's oversight agency.

Status: Chapter 1255, Statutes of 1984.

SB 1942 (Montoya) would have made it possible for institutions accredited outside of California, which offer academic degree programs in the State, to operate by virtue of that out-of-state accreditation without specific California oversight as long as an on-site review of each California location was conducted by the home accrediting association within the previous four-year period. Such institutions would then have been able to offer degree programs in the State based solely upon the favorable review of the home regional accrediting body, without being required to satisfy any of the standards now being proposed, or already in effect, for California institutions -- whether accredited or nonaccredited.

Status: Failed passage, Assembly Education Committee.

STUDENT FINANCIAL ASSISTANCE AND STUDENT AID COMMISSION

AB 2543 (Farr) would have established the California Engineering Instruction Shortage Loan Assumption Program to attract faculty by reducing the outstanding loan liability of engineering instructors. Its purpose was to allow postsecondary institutions to retain qualified instructors who might otherwise be compelled to seek private sector in employment upon graduation rather than remaining in the academic environment because of, among other pressures, the need to reduce debts incurred during completion of a degree.

Applicants to the proposed program would have to qualify for engineering teaching positions; have received a federal, state, or other student loan; and agree to teach engineering for at least three consecutive years. A qualified recipient would receive increasing levels of loan assumption to a total of $15,000 after three consecutive academic years of teaching.

Status: Failed passage in Assembly Education Committee.

AB 1910 (Campbell) would have established a State-funded program to repay student loans obtained in completing a health care professions education, provided that the applicant practiced in a designated health manpower shortage area for three consecutive years. The program would have identified manpower shortage areas in California and directed program participants to those areas.

The proposed program would have relied upon manpower shortage areas designated by the Office of Statewide Health Planning and Development, which would then be used by the Student Aid Commission to site program recipients. Up to 75 percent, or a maximum of $30,000 in principal and interest, of the student's accumulated debt could be paid.

The Governor's veto message expressed concern that the State would be placed in the situation of repaying loans where no known shortage of medical personnel exists. The bill identified dentistry, osteopathy, podiatry, chiropractic and pharmacy as manpower shortage areas, although only family practice physicians and nurses have been thus identified on a statewide basis The message further said that State efforts must be concentrated on voluntary practice location decisions.

Status: Vetoed.

SB 993 (Hart) authorizes the Student Aid Commission to enter into contracts to improve the processing and distribution of grants, fellowships, and loans through the use of electronic networks and data bases. This bill is essentially a statement of legislative intent regarding contracting for the utilization of high technology in the financial aid application, processing, and award distribution process. The bill's provisions are consistent with current statutory provisions calling for reduction of confusion and inefficiency, increased simplicity and effectiveness, and common financial aid forms for the distribution of State-funded student aid, and for federal aid administered by public postsecondary institutions.

Status. Chapter 501, Statutes of 1984.

SB 1999 (Stiern) would have created the Student Aid Commission Special Projects Fund for the "operation, support, and development of student aid application delivery systems, research, workshops, conferences, and other special projects of the Student Aid Commission." Sponsored by the Student Aid Commission, it evolved from the Student Aid Commission's financial aid delivery system project and the difficulties encountered in obtaining approval for the project -- involving use of electronic networks and data bases in the student aid application and distribution process -- from the Departments of General Services and Finance. Concerns expressed by the Legislature and others about exempting from the State's fiscal review process this and other similar projects that may have future State-funding obligations, from the State's fiscal review processes led to the decision to send this legislation to interim committee for further hearing and investigation.

Status: Interim hearing.

SB 2130 (McCorquodale) establishes in statute the membership and the selection process for the Student Loan Study Council, an advisory body to the Student Aid Commission required to "review the activities and policies of the California Educational Loan Program." The Council will consist of 16 members representing postsecondary education institutions, the U.S. Department of Education, financial aid administrators, and students appointed by the California Student Aid Commission. Perhaps the most important part of the legislation is that which addresses the role of the Council in electing a chairperson from its own membership and giving that person the "authority to convene and direct each Council meeting" and "regularly presenting oral and written reports to the Commission regarding the advice of the Council." Representatives on the Council who "serve on or are employed or retained by, the Commission . . . are ineligible for election to these positions."

Status: Chapter 1300, Statutes of 1984.

LEGISLATION AFFECTING THE UNIVERSITY, STATE UNIVERSITY, AND COMMUNITY COLLEGES

SB 1395 (Alquist) proposed the formation, by legislative charter, of the California Telecommunications Services Corporation -- a cooperative whose members would include State and local governments, educational organizations, and other non-profit organizations. Its purpose would be to provide shared expertise in telecommunications planning and system design, assistance in procuring services and equipment to gain discounts on behalf of members, and shared use of facilities where appropriate.

Cal Com would have been initiated with a $3.5 million appropriation from the State General Fund and run by a board with statutory representation from the non-profit organizations, postsecondary education segments, city and county governments, the State's telecommunications agencies, and citizen appointees.

Although this legislation also became embroiled in a proposal to essentially reorganize the State's telecommunications agencies, the primary reason for its failure to survive the legislative process was a disagreement among the long-distance telecommunications carriers (AT&T, Aprint, and MCI), the local carrier (Pacific Bell), and the cable communications industry. The seemingly irresolvable conflict over the future for each actor in obtaining a market share of telecommunications activity derives in part from remaining confusion following the recent federal legislation divestiture legislation.

Status. Failed passage in joint conference committee.

SB 883 (Roberti) would have prohibited "any public pound, society for the prevention of cruelty to animals shelter, or humane society shelter from selling, giving, transporting, or otherwise transferring possession of any live dog, cat, or other animal for the purpose of experimentation, testing, demonstration, or research." The legislation would have also prohibited the transportation of any animals from outside the State for such purposes

Status· Failed passage in Assembly Governmental Organization Committee.

SB 1905 (Petris) is an extension of legislation passed and signed in 1983 that created the High Technology Education Revenue Bond Fund (SB 1067, Petris). Under the initial legislation, the University of California has financed $42,397,000 in new capital construction during 1983-84 and $59,655,000 during 1984-85. This recently enacted bill would extend the benefits of revenue bond financing to "libraries and related educational facilities" at the University, State University, Community Colleges, and the Maritime Academy.

As in the original Petris legislation, this bill authorizes the State Public Works Board to issue certificates or revenue bonds, negotiable notes, or negotiable bond anticipation notes to finance the construction, renovation, and equipping of specified kinds of capital construction in the public postsecondary segments.

Status: Chapter 836, Statutes of 1984.

SB 1504 (Garamendi) complements legislation sponsored by Senator Petris during the last two legislative sessions that empowered the State Public Works Board to issue revenue bonds for the purpose of providing capital construction funds for education in high technology, including "engineering, computer science, biological science and related basic sciences" as well as libraries. This legislation extends those bonding provisions to postsecondary education "facilities to be used only for research purposes related to specified areas of research, including, but not limited to, engineering, computer science, biological science, and related basic sciences."

The value of this measure to the University is that, for the first time, State funds may be used to support facilities or organized research units (ORUs) which have traditionally been formed within the University scientific community for the express purpose of conducting research. This legislation is intended to enable the University to attract and utilize more research support than would otherwise be possible within its current State-funded physical plant capacity.

Status: Chapter 1517, Statutes of 1984.

AB 507 (Waters, Maxine) restores $77.1 million in support for the University Retirement System (UCRS) which was originally included in the 1984-85 Governor's Budget, deleted by the Assembly, and partially reinstated by a joint legislative conference committee contingent upon sufficient funds remaining in the State's reserve for economic contingencies at the end of the fiscal year. The Governor subsequently vetoed the $64.8 million and the legislative conditions attached to receipt of the funds but indicated that he would sign legislation designed to appropriate the entire amount that had been deleted from the Budget as proposed. This legislation answers that request and restores the entire amount that the Legislature deferred during the 1983-84 session. Despite this legislation however, the issue of ultimate responsibility for the University's retirement system remains unresolved. At the current time, the Regents of the University retain statutory authority over a system that is funded in its entirety, except for faculty contributions, from the State General Fund

Status: Chapter 1485, Statutes of 1984.

AB 3539 (O'Connell) would have established a policy for setting and adjusting fees at the University of California. Sponsored by the University's Student Lobby, it sought to prevent the funding of instructional costs, research, public services, academic support, teaching hospitals or capital outlay with revenue from student fees Under the bill, fees used to fund student services would be based only on the cost of these services. A student services advisory committee, consisting largely of students, would have advised the University regarding the collection and use of all student fee revenues. The fee level would be adjusted annually by the percentage change in the cost of student services, excluding support for student affirmative action, student financial aid, or disabled student services. Student aid support would be provided only by State general fund appropriation.

Status: Failed passage in Senate Education Committee.

AB 3361 (Moore) clarifies legislation applying to the University Regents' open meetings law which was passed two year ago. The bill allows Regents' committees to discuss such things as Medi-Cal contract negotiations and proposals for student Regents, as well as deleting the requirement for public notice when special search or selection committees are meeting to interview prospective University officers.

Status: Chapter 959, Statutes of 1984.

AB 2614 (Moorhead) strongly reiterates one recommendation made in the Postsecondary Education Commission's 1980 report on geriatric medicine in expressing legislative intent that the physician licensing examinations include increased emphasis on medical problems of the elderly and is charging the Board of Medical Quality Assurance with submitting a report to the Legislature on its compliance with that intent The bill also establishes a program whereby the Regents of the University would provide grants to academic geriatric resource programs at eligible University campuses. In addition, the Regents are requested under the bill to review programs and offerings in the schools of medicine and request that the "medical and health science schools of the University consider the need for additional emphasis on geriatrics in their cirricula." An annual report to the Legislature is expected from the Regents each January in describing the progress made in implementing the program, the number of academic geriatric resource programs established, as well as the characteristics and costs of the programs.

Status: Chapter 1620, Statutes of 1984.

AB 2591 (Stirling) amends the Government Code expressly to exclude the State University from Department of Finance oversight authority in the acquisition of data processing equipment. The oversight authority, not exercised over purchases by the University and the Community Colleges, was enacted at a time when most State agencies were in the early stages of developing data processing organizations and services There were a limited number of executives and middle managers in the agencies with knowledge of the capabilities and limitations of data processing technology There is now little reason to continue this oversight of only the State University.

Status: Chapter 358, Statutes of 1984.

AB 837 (Corteses) extends for five years existing law which authorizes the State University Trustees to issue specified revenue bond anticipation notes, bonds, and notes at an interest rate not to exceed 12 percent. Legislation enacted in 1981 provided for the 12 percent ceiling after the interest rate had been capped at 10 percent for some time. In addition, the 1981 legisaltion contained a "sunset" clause, returning the interest rate cap back to 10 percent on January 1, 1985.

This legislation continues the 12 percent interest rate ceiling for five years until January 1, 1990 to allow these bonds to remain competitive in the market. They are sold by the State University for the financing of additional housing, student unions, and parking facilities.

Status: Chapter 33, Statutes of 1984.

AB 2364 (Killea) would have provided $2.5 million, through a competitive grant process, to the State University and the Community Colleges to pay the costs associated with the installation and operation of donated equipment

The Governor's veto message stated that the need for instructional equipment had already been recognized and partially addressed through the 1984-85 Budget augmentation of $11.9 million in instructional equipment replacement and $4.3 million for additional instructional computing support for the State University. As for the Community Colleges, the message stated that "significant amounts of donated equipment" were already received and that "the Board of Governors has no evidence that there is a shortage of equipment funding."

Status: Vetoed

AB 3931 (Killea) would have allowed a deduction by a corporation for a contribution of equipment used to test scientific equipment of apparatus in higher education institutions for the purpose of maintenance and upkeep of such equipment. In addition, deductions would be permitted for donations of service contracts to educational organizations and public libraries.

The Governor's veto message states that because this legislation was tripled-joined to other bills for the purpose of expanding allowable deductions for equipment donations, it was not possible to consider each bill on its own merits. In addition, there was an "estimated $10 million revenue loss associated with the three bills."

Further, the Governor's message stated that "I believe the underlying intentions of this legislation deserve full consideration in the context of an overall review of California's business and personal tax policies."

Status: Vetoed.

AB 3776 (Chacon) is essentially a "clean-up" measure following the enactment of the Community College mandatory fee legislation (AB 1XX) in January. However, in the joint conference committee on the bill a provision was added which requires Mission College, a campus of the Los Angeles Community College district that presently has no State-funded capital facilities, to repay a loan from the Capital Outlay Fund for Public Higher Education (COFPHE) no later than the end of the fiscal year. This amendment to the bill allows the college a loan extension to support the costs of working drawings for a proposed facility. It is intended that the loan be paid out of proceeds from the sale of property by the Los Angeles Community College District.

Status: Chapter 1401, Statutes of 1984.

AB 1XX (Katz) provides for a first time mandatory fee of $50 per term for students enrolled for six or more units of academic credit in California's Community Colleges and $5 per unit for students enrolled for fewer than six units. In addition, the measure consolidates ten of the colleges' locally determined permissive fees that were previously in effect. The legislation:

- provides $15 million in financial aid to assure that the new fee will be offset for students with financial need;

- authorizes fee waivers for students receiving public assistance;

- contains a three-year "sunset" clause which automatically rescinds the mandatory fee after January 1, 1988; and

- offsets for one year enrollment losses sustained in 1983-84, support for which would otherwise be permanently lost from district base budgets.

  Status: Chapter 1, Statutes of 1984 Second Extraordinary Session.

AB 470 (Campbell) accompanied AB 1XX and completed the fee/funding package by appropriating $96.5 million to restore State support for Community Colleges to 1982-83 levels. Because of a protracted disagreement over the initiation of a statewide mandatory fee in the Community Colleges, they had been left in 1983-84 with 7 percent less funding than the year before. The settlement of the fee controversy led to an increase in the State-funded support in the middle of the fiscal year.

Status: Chapter 3, Statutes of 1984.

AB 2076 (Farr) would have established the Community College Job Training Improvement Program, administered by the Chancellor's Office, to facilitate the planning of technical, vocational, and occupational training programs. The bill would have enabled five geographically and economically representative Community College districts to apply to the Chancellor's Office for funds to assess local labor-force training and skill needs that are consistent with requirements for local labor market information systems prescribed in the legislation. The measure was designed to improve the coordination of local efforts by Community College districts and the private industry councils created under the federal Job Training Partnership Act (P.L. 97-300) in enhancing the effectiveness of job training and placement programs. The bill would have appropriated $500,000 to the Chancellor's Office of the Community Colleges.

Status: Vetoed.

POTENTIAL FISCAL IMPACT ON CALIFORNIA POSTSECONDARY EDUCATION OF THE NOVEMBER BALLOT PROPOSITIONS

Sixteen statewide proposition measures, numbered 25 through 41, will appear on the November 6 ballot: six of them bond measures, four legislatively sponsored constitutional amendments, three initiative statutes, and three initiative constitutional amendments. A total of $4.36 billion in State, local, and federal revenues and expenditures will be affected in some way by these propositions. Table 1 lists these propositions together with an estimate of their fiscal effect.

The three propositions that would have the most direct fiscal impact on postsecondary education if they pass are Proposition 36 ("Jarvis IV"), Proposition 37 (the State lottery), and Proposition 41 (public assistance spending limits). The following detailed analyses of these three propositions precede a brief summary of the other 13 measures

TABLE 11 Anticipated Total 1985-86 Fiscal Impact of November Statewide Ballot Propositions

	Proposition	Expenditures	Revenues
BOND ACTS			
25	Clean Water Bond Law of 1984	+$33.4 million	None
26	State School Building Lease - Purchase Bond Law of 1984	+$46 1 million	None
27	Hazardous Substance Cleanup Bond Act	+10.25 million	None
28	California Safe Drinking Water Bond Law of 1984	+7.7 million	None
29	Veterans' Bond Act of 1984	Probably none	None
30	Senior Centers Bond Act of 1984	+$5.1 million	None
LEGISLATIVE CONSTITUTIONAL AMENDMENTS			
31	Property Taxation. Fire Protection Systems Exclusion	None	-$5 Million local revenues
32	Supreme Court. Transfer of Causes and Review of Decisions	None	None

(continued)

TABLE 1 (continued)

	Proposition	Expenditures	Revenues
33	Property Tax Postponement. Disabled Person	+$2 million	None
34	Property Taxation. Historic Structure Exclusion	*	*
INITIATIVE STATUTES AND INITIATIVE CONSTITUTIONAL AMENDMENTS			
35	[No longer on the ballot]		
36	Taxation ("Jarvis IV")	+$375 million of State funds	-$50 million of State funds -$1.4 billion of local funds
37	State Lottery	None	$500 million earmarked for education
38	Voting Materials in English Only	None	None
39	Reapportionment	+$3 5 million one-time	None
40	Campaign Contribution Limitations Elective State Offices	+$1 65 million	*
41	Public Aid and Medical Assistance Programs	-$1.5 billion of State funds**	-$1.5 billion of federal funds**
NET EFFECT		-$1.015 billion of State Funds	$445 million of State Funds (earmarked)
		Unknown increase in local spending	-$1.4 billion of local funds
		Unknown savings from Community College enrollment loss	-$1.5 billion of federal funds

*Estimated to be $100,000 or less

**The fiscal provisions of Proposition 41 would not go into effect until July 1, 1986.

Source: Adapted from analyses prepared by the Legislative Analyst for the California Ballot Pamphlet to be mailed by the Secretary of State to registered voters in advance of the November 6 general election.

PROPOSITION 36: "JARVIS IV"

Proposition 36 is an initiative constitutional amendment If passed by the voters, it would re-define and tightly restrict many of the provisions on tax assessments and tax and fee increases of Proposition 13.

Four of its provisions are particularly important:

1. Property Tax Rollback to 1975 Values: Proposition 13 required property taxes to be reduced to their 1975 values and allowed for three annual adjustments of 2 percent up to 1978. Proposition 36 would eliminate the 2-percent annual adjustments and require all property taxes to be reduced to the 1975 values, with refunds to be paid to taxpayers who "overpaid" with 13 percent interest. An estimated 50 percent of all taxpayers would receive refunds (most of them non-residential property owners). The rest would face tax increases because the rollback of the 2-percent factor will lower the assessed values on which tax rates for bonded debt are levied, and, in order to pay for the bonds, debt rates will have to be increased -- thereby raising taxes, primarily for residential property owners.

2 Further Restrictions on Property Tax Rates: The sum of all taxes paid on property would be limited to 1 percent of the property's assessed value. Thus, all ad valorem taxes now charged to pay for contributions to employees' pension plans would be invalidated. All property taxes imposed to pay off voter-approved indebtedness not incurred through bond sales would also be invalidated and discontinued. A two-thirds vote would be needed to reinstate them.

   This 1-percent limit on total property taxes would also be applied to non ad valorem taxes such as benefit assessments now used to pay for services or maintenance. Proposition 36 would invalidate all of these taxes, including some adopted since Proposition 13 by two-thirds of the voters. Examples of assessments that would be eliminated are charges for fire protection, police and paramedic services, and street repair and maintenance.

3. Restrictions on Fees: Proposition 36 defines fees to be user charges imposed on people or property to pay for the "direct cost" either of services or of a regulatory program. All fees would be subject to the following restrictions:

   - Fees could not produce more revenue than needed to pay for the "direct cost" of operating a program. "Direct cost" is not defined in the initiative, however. Thus it is not clear, for instance, if administrative costs would be "direct" or "indirect." In either case, college and university administrators paid from fee revenues who work on several fee-supported programs would have to pro-rate their time to the different sources of revenue

   - On or after August 15, 1983, no new fee could be imposed unless the fee was approved by a two-thirds vote of either the Legislature or the local voters. Fees that have been imposed without the two-thirds vote requirement since August 14, 1983, would be invalidated. This would affect all fees paid for Community College service courses.

- On or after August 15, 1983, no existing fee could be increased more than the last 12-month increase in the U.S Consumer Price Index.

4. Limits on New or Increased State and Local Taxes. Proposition 36 would require that all tax increases or changes that result in an increase in any tax would require a two-thirds vote of the Legislature or local taxing authorities Heretofore, reductions or tax changes that have resulted in a net tax reduction have required a majority vote. Under Proposition 36, however, reductions in state or local taxes that would have the effect of increasing other taxes would require a two-thirds vote.

Since many of the provisions of Proposition 36 are ambiguous, there is little doubt that they will be litigated if it passes. Assuming, however, that all its provisions are found constitutional, and that the courts agree with the interpretations of tax experts and the Legislative Analyst, it would have the following fiscal impact:

1 Overall State revenues would be reduced by at least $100 million over the two-year 1984-86 period

2. At the same time, State expenditures would increase by at least $750 million over the same two-year period in order to reimburse school districts for lost property tax and other revenues After the first two years, when repayments required by the initiative would have been made, the annual costs would go down to $150 million a year.

3. Local agencies other than the schools would lose property tax and other revenues of about $2.8 billion over the 1984-86 period Revenue losses would go down to $1.1 billion annually thereafter.

4. Community Colleges would be required to refund to taxpayers on a one-time basis an estimated $73 million of their property tax revenues for 1984-85.

5. Thereafter, these colleges would lose an estimated $6 million annually in property tax revenues. Unlike the formula for the schools, there is no statutory requirement that the Governor or the Legislature repay these funds to hold the colleges harmless.

6. All public postsecondary educational institutions would lose an unknown amount in revenues from fees that were instituted after Proposition 13 without a two-thirds vote of the Legislature or the electorate. Fees that generate revenue in excess of "direct" program costs would also have to be refunded.

7. Finally, State, local, special district, hospital, and university bond rates would probably be lowered, causing an unknown increase in interest costs for bonded indebtedness. Standard and Poor's, a national rating agency, has already put California on a "credit watch" because of the presence of Proposition 36 on the ballot. In addition, if Proposition 41 also passes, hospital bonds are likely to be further downgraded.

PROPOSITION 37: THE STATE LOTTERY

Proposition 37 is both an initiative constitutional amendment and an initiative statute. It has two parts: the first would amend the State Constitution to establish a state lottery and to prohibit casinos. The second part is statutory, containing an allocation mechanism for the money received from the lottery. This would provide that all of the revenue from the lottery be put into a special fund and continuously appropriated (that is, paid directly by the Controller and not allocated through the budget process) according to the following formula: 50 percent in prizes, up to 16 percent for administration, and 34 percent or more -- if administrative expenses are less than the 16 percent allotment -- for public education. The formula requires that the public education allocation be made on a "per capita" basis or on the basis of total enrollments.

The proposition contains a severability clause, so that if part of it, such as the allocation scheme, were found to be unconstitutional, its other parts would remain intact. A two-thirds vote of the Legislature would be required to amend any part of the statutory provisions

The Legislative Analyst estimates that the lottery could bring in nearly $1.5 billion annually. According to the statutory formula, roughly $735 million of this would be paid out as prizes, up to $235 million would be used for administration of the lottery (including commissions paid to sellers of lottery tickets), and $500 million would be paid to public education. Of the $500 million, the formula would appropriate $400 million a year to the schools, $65 million to the Community Colleges, $25 million to the California State University, and $10 million to the University of California.

The statutory section of the initiative contains intent language that the education funds be used to supplement, and not to supplant, existing appropriations for education. Nonetheless, if no iron clad technique for empirically estimating the "base" of existing funding is developed, this expression of intent would not be easy to follow.

PROPOSITION 41: PUBLIC AID AND MEDICAL ASSISTANCE PROGRAMS

Proposition 41, a statutory initiative, would establish a new California Public Assistance Commission that would be responsible for surveying the costs of certain public assistance programs in the other 49 states and, on the basis of a formula provided in the initiative, setting an expenditure ceiling for these programs in California. The four programs involved are child foster care, aid to families with dependent children, Medi-Cal, and family planning. The expenditures for all four programs combined would have to be no more than 10 percent above the "per capita spending average" of the other 49 states. Decisions on how the programs would be funded would stay with the Legislature. The overall expenditure "cap" could be exceeded only by a two-thirds vote of the Legislature. Funding for any one of the affected programs could, by majority vote, exceed the national average by 10 percent, so long as the total did not exceed the aggregated average.

Per capita expenditures for all of these programs in California now are the highest in the nation. If 1982 expenditures are used as a basis for estimating the effect of Proposition 41, the Legislative Analyst estimates that close to $3 billion annually in funds would have to be cut from the programs -- half in State general funds and half in federal funds If the Legislature then decided to fund each program at the national-average-plus-10-percent level, then foster care would be cut by 50 percent; aid to families with dependent children by 60 percent; Medi-Cal by 36 percent, and family planning by 80 percent. The cuts would affect 30,000 foster children; 650,000 aged, blind, and disabled adults who receive Medi-Cal benefits; and most families who have relied on State-funded family planning services

Most of the direct fiscal and programmatic consequences of Proposition 41 would be at the local level. The direct fiscal effect on postsecondary education would be primarily at two points: (1) the University of California teaching hospitals and affiliated hospitals, and (2) the Community Colleges.

Effects on University of California Hospitals: No one knows what the Medi-Cal cuts would be, but there is virtually no way for them to be made without seriously and dramatically affecting all teaching hospitals, all county hospital facilities, and all hospitals affiliated with a teaching program. All five of the University of California's teaching hospitals would be affected, as would all of the hospitals with which the University affiliates for medical residency programs. The three county-University facilities would be especially hard hit. Compared to the 1982 Medi-Cal reforms adopted by the Legislature that put Medi-Cal service in hospitals on a contractual basis and thereby saved the State $400 million, Proposition 41 would likely cut an additional $1 billion from Medi-Cal costs.

Increased financial restrictions on the University's teaching hospitals and on affiliated hospitals would put more pressure on the University's medical teaching and research budgets. Historically, treatment at these kinds of teaching facilities has cost considerably more than average per-patient costs in other hospitals. These high costs are attributable both to the kinds of illnesses referred to these hospitals and their teaching and research functions. Several attempts have been made by accountants to separate the cost of these three functions and to identify what portion of the higher costs should be charged to the University's instruction or the research budgets. Theoretically, if some technique existed to demonstrate, for instance, that 60 percent of the higher costs were caused by the kinds of illnesses, then this 60 percent would be charged to Medi-Cal while the other 40 percent would be allocated through the University's instruction and research budget. Unfortunately, attempts to do this with any precision have failed, and through Clinical Teaching Support, the State now pays for part but not all of the difference between hospital revenues and total cost If Proposition 41 passes, the University of California would once again face the problem of trying to identify costs in order to recover charges. If that effort were unsuccessful, its remaining choices would be to reduce services, stop serving some populations (a choice not available in the county facilities), or fund its teaching hospitals at the expense of its instruction and research budget.

Community College Enrollments: Proposition 41's funding reductions in aid to families with dependent children would likely have their most direct fiscal effect on Community Collge enrollments. These cuts would increase financial need, as well, but -- unless financial aid is increased to accommodate that need -- would not affect financial aid expenditures, since mothers in such families now qualify for the maximum grant levels No one knows exactly how many parents in these families are now enrolled in the Community Colleges, but their percentage is very high at some campuses and educated guesses have put the total systemwide number at 100,000 -- or 10 percent of the colleges' total enrollments. If Proposition 41 passes, that number would almost certainly go down, as these parents were forced to drop out.

At the present time, grant levels for these families are high enough that it makes better sense economically for mothers with no skills for salaried employment to upgrade their skills in order to qualify for higher-paying jobs than to enter the work force at minimum wage levels. This "disincentive to work" is one of the arguments that proponents of Proposition 41 use to justify the initiative At the present time, the maximum amount a single parent with two children -- the average aid-to-families-with-dependent-children group -- can receive is $555 a month. If Proposition 41 passes, however, the maximum grant will drop from $555 to between $225 and $330 a month. Mothers who have been able to receive support while being enrolled will no longer be able to do so. They would have to either reduce their course load -- or, more likely -- drop out altogether.

OTHER PROPOSITIONS WITH FISCAL IMPACT

Proposition 25 would provide for a bond issue of $325 million for "clean water" projects.

Proposition 26 would provide $450 million in capital outlay for construction or improvement of public school buildings.

Proposition 27 would provide $100 million in funds for hazardous substance cleanup.

Proposition 28 would provide $75 million in funds to improve domestic drinking water systems to meet minimum drinking water standards.

Proposition 29 would provide $650 million to renew the farm and home loan program for California Veterans.

Proposition 30 would provide $30 million for senior citizens' centers

If all six of these bond measures on the November ballot pass, an estimated $102 million annually in general funds will be needed to pay the principal and interest costs of the increased debt. (Bond principal and interest costs are considered to be a general fund debt and, as such, are paid through continuous "pre-committed" appropriations each year that are not considered in the regular budget process.) This $102 million could be lowered by as much as $18 million if other sources of funds provided for in Propositions 27 and 28 for hazardous waste cleanup and drinking water improvements are available. But an additional $60 million might be needed for veterans bonds under Proposition 29 if participating veterans' payments did not cover its costs. This program, however, has always paid for itself, so there is little possibility that State funds will be needed for it.

One factor influencing the cost of the bonds is the interest the State would have to pay on them. Increases in this rate are probable if most all of the bond propositions are approved by the voters and if Proposition 36 or Proposition 41 passes. Interest charges could rise as the State borrows more money, while State and local bond ratings are likely to be downgraded if Proposition 36 or 41 passes -- also causing an increase in interest charges. Of the $102 million estimated cost of the bonds, $52.45 million would go for interest payments, calculated at a 10-percent interest rate These charges would thus increase by at least $5 million for each increase in the rate.

The one bond act that could directly influence funding for postsecondary education is Proposition 26, the State School Building Lease-Purchase Bond Law. This program would make available $250 million for new school construction and $200 million for repairs, alterations, or replacements for buildings between 30 and 50 years old. However, the need for such work in the State's school systems is estimated at $2 billion -- far more than the $450 million in the Bond Act. Nonetheless, the availability of these funds will likely relieve the Capital Outlay Funds for Public Higher Education and General Fund of this obligation, since they have been used in the past for construction, renovation, and maintenance of school buildings. This could mean additional funds would be available for postsecondary education.

Finally, two other propositions -- 31 and 33 -- could affect the condition of the State General Fund. Both are legislative constitutional amendments affecting property taxation:

- Proposition 31 would allow the Legislature to exclude from the reassessment provisions for new construction any new construction for fire protection systems. If the Legislature were to adopt its provisions, local governments would lose an estimated $5 million in annual property tax revenues.

- Proposition 33 would authorize the Legislature to allow low-income disabled people to postpone making property tax payments until they sell their home. The State would have to reimburse local governments for income lost through these postponements at an estimated $2 million cost.

CONCLUSION

In sum, the major impact on higher education of this year's ballot propositions would be indirect rather than direct. Proposition 37 -- the State Lottery -- would promise some additional funds to education, but Proposition 36 ("Jarvis IV") would severely restrict the State's General Fund and would mean that the budgets of most State institutions and programs would be reduced, and it would pose administrative problems for every State agency or institution that manages fee-supported programs. Finally, Proposition 41 would reduce social program and hospital budgets, thus probably reducing college attendance of parents receiving aid for dependent children and imperiling the operation of the University of California's teaching hospitals